

May 6, 2015

Rhode Island Commerce Corporation

**Request for Proposals for
Direct Purchase – Revenue Bonds**

ADDENDUM NO. 1

- Can you please define or give an explanation as to what the Corporation is looking for in the response to question number #3 “Rate Lock Expiration Date”?

The Corporation is seeking a fixed rate for its proposed Historic Tax Credit Bonds. The Bond issue is expected to close on or about June 15, 2015. When submitting a proposal please indicate how long your bank is willing to hold its interest rate. If it is prior to the expected funding date of June 15, 2015, please provide the method or basis for your calculation.

- Which fiscal year(s) will the proceeds of this issue provide operational funds?

FY2015 through FY2017

- After this issue, what would be the remaining authorized but un-issued balance available under the Program?

After this issuance, there will be remaining authorization of approximately \$75,000,000 for funding of Historic Tax Credits.

- Please provide an update on the Employees Retirement System of Rhode Island’s court case.

See the following link for information on the Employees Retirement System of Rhode Island court case:
<http://content.ersri.org/settlement>

- List of and description of projects financed and/or approved to be financed under the tax credit program.

See attached link to obtain the document prepared by the Historical Preservation and Heritage Commission. Please note that the Bonds are subject to annual appropriation by the State General Assembly and the projects being funded through this program do not serve as collateral on the Bonds.

<http://www.commerceri.com/documents/RFP/Historical-Preservation-Heritage-Commission-document.pdf>

- History and/or additional background on this program - how long in place, track record on projects, etc.

For additional information on the Historic Tax Credit Program see the State’s Information Statement dated March 26, 2015 beginning on page A-44.

- Status of these projects in terms of completion, current uses, etc

See attached link to obtain the document prepared by the Historical Preservation and Heritage Commission.
<http://www.commerceri.com/documents/RFP/Historical-Preservation-Heritage-Commission-document.pdf>

- What is criteria used to qualify for the program?

See the following link for information on the program: <http://www.preservation.ri.gov/credits/commstate.php>

- Does RICC have other bond programs?

See the following links for information on RI Commerce Corporation's other bond programs:

<http://www.commerceri.com/finance/bond-financing.php>

<http://www.commerceri.com/finance/Mortgage%20Insurance.php>

- Status of the 38 Studios bond financing (i.e. next year's payment been included in State's budget)

Debt service for 38 Studios debt is funded in full in the FY 2015 revised and FY 2016 budgets as proposed by the Governor.

- Has State changed its view on use of moral obligation debt following the 38 Studios transaction (including implemented additional oversight and legislative approvals)

The legislation authorizing the Job Guaranty Program was repealed.

- The State's most recent CAFR states that Historic Tax Credit Bonds issued by the Corporation "do not constitute a debt, liability or obligation of the State or any political subdivision thereof". However, the State is obligated under a Payment Agreement to make payments to the Trustee. Can you explain how this payment agreement works?

In the 2008 session, the Rhode Island General Assembly enacted legislation that authorizes the RI Commerce Corp ("RICC") (formerly the RI Economic Development Corporation) to issue bonds to provide a fund from which the general fund would be reimbursed for the State's historic tax credit liabilities. Known as "Article 4 Substitute A As Amended," the legislation authorized "the Governor to enter into a financial obligation, guarantee, or other agreement or agreements [defined in the legislation as the "Payment Agreement"] evidencing the financing obligations of the State" regarding the historic tax credit bonds to be issued by RICC "and such other agreements with [RICC] which shall provide for transfers of monies to the State by the RIEDC..."

The Payment Agreement is executed by Governor, General Treasurer, RICC, the Department of Administration, the State Controller and the State Budget Officer, and provides for a set of requirements and procedures to be followed by the Governor, General Treasurer, RICC, the Department of Administration, the State Controller and the State Budget Officer to assure that the required debt service on the bonds in question is timely submitted to the Governor and is included in the Governor's budget prior to submission to the General Assembly. It also sets forth procedures to assure that upon appropriation, the funds are submitted to the Trustee under the bond indenture for application to the Bond Payment Fund (debt service fund). Other uses of the appropriated funds are prohibited, and it also provides that if any party fails to perform its obligations, the RICC or Trustee may compel specific performance by seeking a mandamus order in court.

The Payment Agreement concept has been used in the 2009 issuance of \$150,000,000 in historic tax credit bonds, and more recently through other legislation in the 2013 issuance of \$38,500,000 in so-called I 195 bonds, which are also appropriation bonds.

- Can you confirm that the State of RI cannot selectively appropriate funds (i.e., the appropriation pledge is an all or nothing pledge)?

Although debt service is appropriated as one line item in the annual Appropriations Act, the General Assembly could reduce that appropriation for a specific debt (i.e. just HSTC), but not for a specific project within that debt. They would have to appropriate all or none of the debt service due on the HSTC program.

- What is the current size of the Historic Tax Credit liability? Is it displayed in the State's CAFR?

As of June 30, 2015, the current outstanding debt for the previously issue HSTC bonds will be \$57,390,000 in principal and \$7,069,682 in interest. According to the Historical Preservation Commission, there are currently \$106,411,048 in approved credits outstanding, although there are other projects in process of review that are expected to use the remaining \$150.0 million in authorization.

- Are there any anticipated impacts to the State from GASB 67 & 68 for the FY15 CAFR?

The State's FY 2015 CAFR will account for pension liabilities as required under GASB 67 and 68, but this is for informational purposes only and will not directly impact the state's balance sheet.

- Please provide a pension litigation update.

See the following link for information on the Employees Retirement System of Rhode Island court case:
<http://content.ersri.org/settlement>

- Please provide an updated amount of authorized GO debt.

The State's authorized but unissued GO debt is included on page A-89 of the State's Information Statement dated March 26, 2015.

- Please provide an update on the projected loss of gaming revenues to Massachusetts.

Revenue Estimates for FY 2015 revised and FY 2016 will be updated on May 8, 2015; it is estimated that gaming revenues will decrease by approximately \$40 million in FY 2016 due to the opening of a Slots Parlor in Plainville, MA.

- Please provide confirmation on whether or not there will be TANS issued in FY16.

There has been no request included in the FY 2016 Appropriations Act to issue TANS in FY 2016; based on current cash flow and a fully funded Rainy Day Fund, no such borrowing will be required.

***** End of Addendum *****